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Department of State **SECRET** **TELEGRAM**

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EXCISE

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ACTION AF-05

INFO OCT-01 SS-20 EUR-12 NSC-10 NSCE-00 INR-07 CIAE-00
NSAE-00 PM-03 DODE-00 L-02 E-04 OEP-01 H-01 SSO-00
RSR-01 RSC-01 JUS-01 /069 W
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FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC PRIORITY 7591
INFO AMEMBASSY BENGHAZI PRIORITY
AMEMBASSY LONDON

TRIPOLI 665
3/30/71

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CX DATE 6/22/81
PORTIONS DENIED AS INDICATED

S E C R E T TRIPOLI 665

LIMDIS

SUBJ: LIBYAN OIL NEGOTIATIONS

REF: TRIPOLI 650

1. FOLLOWING CLARIFICATIONS OF CURRENT OIL SITUATION EMERGED DURING CALL BY [redacted] ON AMBASSADOR EVENING OF MAR 29: B4

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A) WHILE STRESSING JALLUD'S ALLEGED EFFORT TO CONVINCE QADHAFI THAT PROPOSED OIL AGREEMENT SHOULD BE ACCEPTED, MABRUK INDICATED THAT REFUSAL TO SIGN, DEMAND FOR RETROACTIVE SUEZ ALLOWANCE AND REJECTION OF FIVE-YEAR TERM WAS COLLECTIVE HCI DECISION.

B) IN ASSERTING THAT AGREEMENT MUST NOW BE REACHED AT "POLITICAL" LEVEL, MABRUK WAS DIFFERENTIATING "TECHNICAL" APPROVAL BY HIMSELF AND PETROLEUM MINISTRY FROM "POLITICAL" APPROVAL REQUIRED OF RCC. MABRUK ALSO ATTEMPTED TO JUSTIFY RCC POSITION IN TERMS OF DOMESTIC POLITICAL REQUIREMENT TO SATISFY POPULAR DEMAND. THIS EFFORT WAS CHALLENGED BY [redacted] WHO ARGUED THAT LIBYAN PUBLIC OPINION IS UNEDUCATED ABOUT PETROLEUM ECONOMICS AND TERMS OF AGREEMENTS AND, THEREFORE, IS NOT FACTOR. B4

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C) MABRUK SUGGESTED TO COMPANY REPS THAT SHORTENING TERM OF PROPOSED AGREEMENT TO 2 OR 3 YEARS MIGHT WIN RCC APPROVAL. [redacted] CONSIDERS THIS SUGGESTION TO BE TACTICAL PLOY TO FURTHER PROCESS OF ERODING TERMS OF PROPOSED AGREEMENT. B4

D) [redacted] LARG IS STILL FOLLOWING BASIC STRATEGY OF 1970 NEGOTIATIONS, IN WHICH IT OBTAINED CUMULATIVE CONCESSIONS BY PROGRESSIVELY MOVING NEGOTIATIONS UP SCALE OF APPARENT AUTHORITY, I.E., FROM MINISTERIAL COMMITTEE, TO SPECIAL COMMITTEE, TO RCC LEVEL. [redacted] COMPANIES MUST REFUSE TO CONCEDE LATEST DEMANDS NOT ONLY TO PROTECT TEHRAN AGREEMENT AND THEIR CREDIBILITY WITH BOTH PRODUCERS AND CONSUMERS, BUT ALSO TO FORCE A HALT TO CONTINUING ESCALATION OF LARG DEMANDS. B4

2. [redacted] WE LEARNED THAT [redacted] CALLED ON MABRUK YESTERDAY NOT ONLY TO PROBE LARG'S INTENTIONS, BUT ALSO TO INFORM HIM THAT LARG MATT SIGN AGREEMENT BY MAR 31 IF IT IS TO TAKE ADVANTAGE OF MAR 20 EFFECTIVE DATE. MABRUK WAS TOLD THAT AFTER MAR 31, AGREEMENT WOULD BECOME EFFECTIVE WHEN SIGNED. B1

3. WE ARE NOT CLEAR WHAT NEXT STEPS WILL BE, BUT ASSUME COMPANY REPS [redacted] WILL RESPOND TO LATEST DEMANDS AFTER COMPANIES HAVE CAUCUSED IN NEW YORK AND LONDON AND ISSUED INSTRUCTIONS. FROM REMARKS BY [redacted] IT SEEMS CLEAR THAT RESPONSE WILL BE SHARPLY NEGATIVE AND WILL BE CONVEYED TO LARG BY APRIL 1. B4

4. [redacted] TOLD EMBOFF TODAY THAT TECHNICAL LEVEL AT PETROLEUM MINISTRY IS AWARE OF RCC REJECTION OF PROPOSED AGREEMENT. [redacted] WAS GIVEN MUCH MORE EXTENSIVE LIST BY THESE SOURCES OF "NON-NEGOTIABLE" POSITIONS ALLEGEDLY TAKEN BY RCC THAN TWO DEMANDS REVEALED BY MABRUK. IN EFFECT, [redacted] WAS TOLD THAT [redacted] WOULD ACCEPT PERMANENT POSTING OF AROUND $3.50, CITED STATUTE OF 196, PLUS SATISFACTION OF NEARLY ALL OK9185J 0-J5 DEMANDS - IN EFFECT TAKING WHAT COMPANIES HAD OFFERED IN PROPOSED AGRA MENT AS NO MORE THAN BASIS FOR NEGOTIATION. [redacted] TOLD THAT COMPANIES WILL SHORTLY BE GIVEN DEADLINE BY WHICH THEY "MUST AGREE" TO LATEST DEMANDS - WHATEVER THEY ARE AT THAT TIME. B1

5. COMMENT: PARALLELS BETWEEN 1970 AND 1971 NEGOTIATIONS ARE

STRIKING - ESPECIALLY SIMILARITIES BETWEEN QADHAFI'S TWO EVACUATION DAY SPEECHES AS STARTING POINT FOR NEW PHASE IN OIL NEGOTIATIONS. (SEE TRIPOLI 654 AND 710 OF 1970). WE ALSO CONSIDER RCC "REJECTION" OF PROPOSA[illegible]'S NEGOTIATING STRATEGY. VIEWS EXPRESSED [redacted] B1
[redacted] AND HISTORY OF NEGOTIATIONS OVER PAST YEAR SUGGESTS LARG'S DEMANDS ARE LIMITED ONLY BY COMPANIES' WILLINGNESS AND ABILITY TO CONCEDE. WE SEE LITTLE CHOICE FOR COMPANIES BUT TO STAND FIRM TO TRY TO BRING AN END TO LARG'S "MOVING TARGET" TACTICS. IZZTSUID SO COMPANIES WOULD FORCE LARG TO DECIDE UPON IMPLEMENTING PUNITIVE MEASURES AGAINST COMPANIES, INDIVIDUALLY OR COLLECTIVELY, AS IT OFTEN HAS THREATENED. [redacted] B1

6. TWO COURSE OF LARG ACTION WE CONTINUE TO SEE AS MOST PROBABLE ARE:

[redacted] B1

7. WE HOPE DEPARTMENT WILL KEEP US INFORMED OF DEVELOPMENTS IN IRAQI AND SAUDI NEGOTIATIONS BECAUSE OF THEIR RELATIONSHIP TO EVENTS IN LIBYA. WE ALSO ASSUME DEPARTMENT WILL INFORM A NECESSARY OTHER ADDRESSEES OF DEVELOPMENTS HERE. WE HAVE CURTAILED OUR LATERAL DISTRIBUTION BECAUSE DETAILS OF NEGOTIATIONS SEEM TO TO BE OF MARGINAL INTEREST TO MANY POTENTIAL ADDRESSEES.
GP-2.
PALMER